

EXECUTIVE OFFICER'S REPORT

**PROPOSED INCORPORATION OF
THE TOWN OF SAN MARTIN**

OCTOBER 31, 2008

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- Attachment B: Revised Initial Study and Negative Declaration for the Proposed Incorporation of the Town of San Martin (dated March 11, 2008)
- Attachment C: Comprehensive Fiscal Analysis and Plan for Services for the Proposed Incorporation of the Town of San Martin (dated October 7, 2008)

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I. INTRODUCTION

A. Purpose of the Incorporation

The purpose of the incorporation of the Town of San Martin as stated by the proponents of the incorporation is to:

- Create a locally accountable governing body that is more visible and accessible
- Have local control of land use, growth, planning policy and other governmental activities
- Legally recognize that San Martin already has the critical attributes of a town in that it has a name, a distinct geographic area, a variety of land uses and a positive relationship with bordering cities

B. Location and Physical Characteristics of Incorporation Area

The unincorporated community of San Martin is located in the southern part of Santa Clara County roughly between the cities of Morgan Hill and Gilroy. Regional access to the area is provided by U.S. Highway 101 (US 101) which divides the community and runs in a north-south direction. The area west of the freeway is more intensively developed and supports most of the commercial and industrial uses in the community. To the far west is the Hayes Lane subdivision consisting of single family homes on large lots (20+ acres) and the Cordeville Golf Course and residential development. The South County Airport is located along the west side of US 101. The area east of US 101, which is the more rural part of the community, is characterized by low to medium-density, single family residences and various land uses.

The community core is centered at the intersection of Monterey Road and San Martin Avenue. This community core consists of single-family lots and most of the commercial and industrial uses within the community. The community core is characterized by a predominance of small lots and higher population density than the remainder of the area. In general, the unincorporated lands in the area consist of the following land uses: rural residential development on small and large lots, agricultural operations, some industrial and commercial uses, a U.S. Post Office, an airport, a golf club, a winery, and permanently protected open space.

C. Alternatives to Incorporation

The proponents evaluated several alternatives to incorporation for their ability to satisfy the intent of the incorporation which is to provide the San Martin residents local control over land use issues. In the information submitted to LAFCO in September 2004, the proponents concluded that none of the evaluated alternatives would fulfill the underlying purpose and objectives which they sought. The following is a summary of the alternatives considered by the proponents.

Annexation to an Adjacent City

San Martin is located roughly between the cities of Gilroy and Morgan Hill. The proponents indicated that their intent and vision to preserve San Martin as a rural residential community would not be consistent with the general plans for Morgan Hill or Gilroy. Additionally, San Martin lies outside the sphere of influence and urban service areas of both cities and neither of the two cities have expressed any interest in annexing the area. Both cities currently have many decades worth of vacant land within their boundaries.

Formation of a Special District

This option would not address the key purpose of the incorporation which is to have more local control over land use since special districts do not have jurisdiction over land use and planning.

Formation of an Area Planning Commission (APC)

An APC is a body authorized by the County Board of Supervisors with land use powers and responsibilities for a specific area as a substitute to the countywide Planning Commission. The proponents of the incorporation and the County considered the alternative of forming an Area Planning Commission for San Martin and rejected it. The proponents felt that an APC would be inadequate for the purposes of establishing complete local control over land use policy and the County felt that an APC would result in increased costs and inefficiencies as well as an undesired precedent for other areas in the County.

San Martin Planning Advisory Committee (SMPAC) / Status Quo

The County Board of Supervisors appointed the SMPAC in 1981 to serve as an advisory body to the Board and the County Planning Commission regarding land use and planning issues in the San Martin area. According to the proponents, although it has been beneficial in communicating San Martin's issues and positions to the Board and the Planning Commission, this body is

advisory only and does not give residents the ability to set policy and establish regulations in the community.

D. Proposed Government Structure

The incorporation proposal would create the Town of San Martin which would be a general law city with a Council/ Manager form of government. A five-member city council would be elected at large from the incorporated area. The City Council would hire a city manager, a city clerk, a city attorney and a city treasurer. The city manager would hire additional staff as necessary to provide services.

E. Background and History

The San Martin Neighborhood Alliance, a non-profit community group initiated incorporation efforts in San Martin with the preparation of an Initial Fiscal Analysis (IFA) in June 2003. The IFA concluded that the incorporation would be financially feasible. At that time, LAFCO staff requested a reexamination of issues establishing fiscal feasibility, including issues related to financial viability of the incorporation given the changes occurring in state and local government financing structure at that time and the assumptions used in developing the analysis such as the assumption of the amount of commercial development projected in the analysis contrary to the community's desire to remain rural residential in nature and not change the level of services. The current incorporation process began with the proponent's submittal of a "Notice of Intent to Circulate a Petition" to LAFCO on November 30, 2006.

F. Statutory Procedures for Incorporation

The Cortese Knox Hertzberg Local Government Reorganization Act (CKH Act) establishes the procedures and requirements for an incorporation. Five basic steps involved in the incorporation process include:

- **Petition / Application to LAFCO:** An incorporation application can be initiated by either agency resolution or by petition of 25% of registered voters or landowners in the area. **This proposal was initiated by petition of registered voters.**
- **LAFCO Review and Analysis:** LAFCO staff is required to review and analyze the application material and complete analysis of the proposal including fiscal analysis, environmental analysis and other factors as required by LAFCO policies and state law and prepare a staff report with recommendations. **Review and analysis completed with this report.**

- **LAFCO Public Hearing:** LAFCO will conduct a public hearing to consider the report, receive public testimony, and decide whether to deny or approve the application, make the required findings and decide on what terms and conditions to apply. Any person or agency may file a request for reconsideration with the Commission within 30 days after adoption of a resolution by the Commission. The request must be accompanied by a LAFCO filing fee and must state what new or different facts that could not be presented previously are claimed to warrant the reconsideration pursuant to Government Code §56895(a). **Public hearing date is set for November 7, 2008.**
- **Election:** If incorporation is approved by LAFCO, then the County Board of Supervisors will call an election for voters who reside in the incorporation area. A majority approval is required for the incorporation to be successful. **Tentative election date is June 2009.**
- **Finalization:** If the election is successful, LAFCO will record a Certificate of Completion which makes the incorporation effective. **Tentative effective date of incorporation is July 1, 2009 or soon thereafter.**

II. SAN MARTIN INCORPORATION PROCESS AND TIMELINE

The following summarizes the various steps undertaken in processing the San Martin incorporation proposal:

A. LAFCO Receives Petition, Develops Incorporation Policies and Hires Consultants

LAFCO received a petition and application for the incorporation of the Town of San Martin in February 2007 from the San Martin Neighborhood Alliance, the proponents of the incorporation. The petition was verified by the Registrar of Voters and LAFCO issued a Certificate of Sufficiency on March 6, 2007.

Prior to receiving the incorporation application, LAFCO staff and the incorporation proponents had several pre-application meetings in November and December 2006 to review the petition, process, and general timeline for the project. During that time, LAFCO staff also held a meeting with staff from the County, Cities of Gilroy and Morgan Hill, and the proponents to discuss potential incorporation boundaries.

This being the first incorporation ever processed by Santa Clara LAFCO, LAFCO had to develop and adopt incorporation policies. LAFCO held two workshops - one in San Martin and another at the LAFCO meeting to provide information on the incorporation process and to seek input on the policies. LAFCO adopted its incorporation policies at a public hearing in May 2007 with follow-up revisions in August 2007. These policies in addition to the CKH Act and the OPR Incorporation Guidelines serve as a guide to LAFCO in processing the incorporation. During this time, staff met multiple times with the incorporation proponents to discuss alternative boundaries and various other process issues. On May 30, 2007, LAFCO authorized a fee agreement with the San Martin Neighborhood Alliance (incorporation proponents).

LAFCO staff then established its first working timeline which was dictated by the proponent's desire to have the incorporation effective by June 30, 2009, after which time the Vehicle License benefits allowed in State law for new incorporations were set to expire. This law was subsequently changed to remove the original sunset clause. The original timeline has gone through many revisions to address the various changes in circumstances.

In May 2007, LAFCO retained Economic & Planning Systems (EPS) to prepare the Comprehensive Fiscal Analysis and in July 2007, it retained Michael Brandman Associates (MBA) to conduct the environmental analysis for the incorporation proposal. Both consultants were selected following an RFP and interview process which included proponents, County and LAFCO staff.

LAFCO issued a Certificate of Filing for the incorporation proposal on June 26, 2008.

B. Comprehensive Fiscal Analysis (CFA) and Revenue Neutrality Activities

In August and September of 2007, EPS, LAFCO's CFA Consultant and LAFCO staff worked with the various governmental agencies and departments to collect the data necessary to prepare the CFA. EPS then prepared an Administrative Draft CFA which was reviewed by LAFCO staff, County staff, and the incorporation proponents. EPS presented the Public Hearing Draft CFA to LAFCO at its meeting in February 2008. The Public Hearing Draft CFA was released for a 30-day public review and comment period on March 7, 2008. Government Code §56801 allows any interested person to request State Controller's review of the CFA within 30 days of the notice of availability. No request was received during that time. Revenue neutrality negotiations between

the County and the proponents which had begun in December 2007 concluded in March 2008 (six meetings) without the two parties reaching an agreement.

In April 2008, County Counsel, representing LAFCO on the incorporation proposal, withdrew due to a conflict of interest. In May 2008, LAFCO hired Best Best & Krieger as special counsel to LAFCO to advise and represent LAFCO on the incorporation proposal. At the May 2008 LAFCO public hearing, LAFCO accepted comments on the Draft CFA and directed staff to revise it as appropriate. LAFCO also directed its Counsel to review the legal opinions submitted by the County and by the proponents on revenue neutrality and to prepare an independent analysis of the issue.

At the June 2008 meeting, staff presented revised CFA tables which included new information concerning election costs and repayment to the County of the transition year costs. LAFCO Counsel provided their legal analysis of revenue neutrality issues at the July 2008 meeting. Following review of the analysis, LAFCO sent a letter to the County Board of Supervisors requesting that the County consider renegotiating with the proponents to reach agreement on revenue neutrality using a professional facilitator. The two parties met on August 15, 2008, but could not reach agreement. As a result, LAFCO will impose terms and conditions for revenue neutrality.

At the September 10, 2008 LAFCO meeting, LAFCO staff presented various revenue neutrality mitigation options for the Commission's consideration and the Commission selected two potential options and directed staff to provide more information and a recommendation at the next meeting. At the October 1, 2008 LAFCO Meeting, LAFCO directed staff to revise the Public Hearing Draft CFA to reflect its preferred option and to prepare the Executive Officer's Report. Please see Section VII of this report for more detailed information on this issue.

C. Environmental Review and Consideration of Alternative Incorporation Boundaries

In July 2007, MBA, LAFCO's CEQA Consultant, began collecting information to prepare a CEQA Initial Study for the incorporation proposal. In November 2007, LAFCO released the Draft Initial Study and Proposed Negative Declaration (IS/ND) for public review. In December 2007, LAFCO held a public hearing to accept comments on the document. At the meeting, LAFCO staff also provided a report to the Commission on alternative boundaries. In February 2008, LAFCO identified a preferred alternative boundary for the proposed incorporation and directed staff to revise the IS/ND, and to re-circulate the document for public review and comment.

In March 2008, LAFCO circulated the revised IS/ND for public review and comment. In May 2008, LAFCO held a public hearing to accept comments on the Revised IS/ND and directed LAFCO Counsel to review the entire record and to advise LAFCO at the June meeting. At the June 2008 LAFCO Public Hearing, LAFCO directed staff to proceed with the Negative Declaration. Please see Section VI on CEQA compliance for more detailed information.

D. Next Steps: LAFCO Public Hearing and Payment of Fees

LAFCO set November 7, 2008 as the LAFCO public hearing date for the incorporation proposal. With the issuance of this report, the LAFCO Executive Officer's Report has been released for public review and a community workshop is scheduled for November 3, 2008 in Morgan Hill. Please see LAFCO website (www.santaclara.lafco.ca.gov under What's New) for more information.

Per the Fee Agreement between the proponents and LAFCO, LAFCO fees are due prior to the first public hearing. As of September 30, 2008, the total LAFCO fees incurred in processing the San Martin incorporation proposal amount to \$171,555.16. At its September meeting, the Commission directed that this full amount of fees be paid no later than 72 hours prior to the November 7, 2008 LAFCO public hearing.

On October 30, 2008, the proponents submitted a letter requesting State Controller's review of the CFA as allowed under Government Code §56801. Pursuant to LAFCO Incorporation Policies 8.5(c), the request must include a deposit for the total estimated cost of the review. Proponents will be informed of the estimated cost. Following the receipt of the deposit, staff will forward the request to the State Controller's Office. The State Controller has 45 days from receipt of the request to issue a report with its analysis.

E. Public Participation and Consideration of Comments

Throughout the entire process, LAFCO and its staff have received and considered multiple comments (written and verbal) from the proponents, San Martin residents, affected local agencies, various stakeholder groups, and interested parties. LAFCO received comments from the following affected local agencies: including various departments within the County such as the County Executive's Office, the County Counsel's Office, County Planning Office and the County Parks and Recreation Department. In addition, the cities of Morgan Hill and Gilroy have also provided comments.

LAFCO has communicated with the community and various stakeholders involved through a variety of ways to encourage participation and

understanding of process and issues through workshops, meetings, public hearings, by posting information on the LAFCO website, distributing information by emails, U.S. mail, newspaper notices, etc.

The Commission considered all comments received, including those from affected local agencies, and addressed these comments where determined appropriate. The entire public record is on file at the LAFCO office.

III. PLAN FOR SERVICES

Cities are required to provide the following municipal services:

- General government including city council, management, administration
- Land use regulation and planning, code enforcement and building inspection
- Maintenance of public roads
- Law enforcement
- Animal control

The proposed Town of San Martin will assume responsibility for all these required services upon incorporation. The proposed new Town of San Martin will be a contract city providing many of its services through contract with another public agency or private provider. Existing special districts in the area will continue to provide services without changes to their boundaries. The proponents of the incorporation proposal do not propose any new services upon incorporation or any changes to the service levels currently provided in the area. Upon incorporation, the new Town would have the authority to provide additional services and / or the authority to change the service levels if desired. Attachment C contains the Plan for Service which describes the various governmental services currently provided and proposed to be provided upon incorporation including discussion of the funding required to provide the services. The following table provides an overview of the current service providers in the San Martin community and the proposed service providers following incorporation.

TABLE: CURRENT AND PROPOSED SERVICE PROVIDERS IN SAN MARTIN

SERVICE	CURRENT SERVICE PROVIDER	PROPOSED SERVICE PROVIDER
General Government	County	Town
Law Enforcement	Sheriff's Office	Town (contract w/ Sheriff)
Traffic Control	California Highway Patrol	Town (contract w/ Sheriff)
Fire Protection	South SCC Fire Protection District	No change
Ambulance/ Emergency Medical	South Santa Clara County Fire Protection District	No change
Animal Control	County	Town (contract w/ County)
Vector Control	Vector Control District	No change
Land Use Planning & Regulation	County	Town
Building Inspection	County	Town
Parks and Recreation	County	Town
Regional Parks/Open Space	County, Open Space Authority	No change
Library	Santa Clara County Library District	No change
Road Maintenance, etc.	County	Town
Water Service	San Martin County Water District, West San Martin Water Works, Mutual Water Companies	No change
Waste Water Disposal / Sewer	Lions Gate Community Services District in Cordevalle, Remaining area on septic tanks	No change
Solid Waste Collection/Disposal	County	Town
Flood Control	Santa Clara Valley Water District	No change
Street Lighting	Santa Clara County Lighting Service Area	No change
Schools and Colleges	Gilroy / Morgan Hill Unified School Districts and Gavilan Community College	No change
Gas and Electricity	PG&E	No change
Cable TV	Charter Communications	No change
Public Transit	Valley Transit Authority	No change

The following is a brief description of provision of key services after incorporation.

Law Enforcement and Traffic Control

In unincorporated areas, law enforcement is provided by the Sheriffs' Office. Traffic enforcement is provided by California Highway Patrol (CHP) which has statewide responsibility for traffic control and accident investigation in unincorporated areas. Upon incorporation, the responsibility for law and traffic enforcement transfers to the new Town. It is expected that the new Town would contract with the Sheriff's Office for traffic and law enforcement services. No change in level of service is proposed after incorporation.

Water Service

The San Martin County Water District and the West San Martin Water Works provide water services to a portion of San Martin. San Martin County Water District serves approximately 180 connections within a one square mile service area centered along San Martin Avenue east of Monterey Road. The West San Martin Water Works is a private water company that serves approximately 270 connections to the west of Monterey Road including the Cordevalle golf course and residential development. Properties in other areas within the incorporation boundaries are served by individual or shared wells or mutual water companies. Since the incorporation does not propose any changes to land use or involve any new development, incorporation will not result in an increased demand on water supplies.

The water suppliers in the South County area including the San Martin County Water District, the West San Martin Water Works and the Cities of Morgan Hill and Gilroy all rely on ground water extracted from the Llagas sub-basin which is managed by the Santa Clara Valley Water District. Groundwater quality in the area is impacted by high nitrate levels due to septic systems and surrounding agricultural land use as well as by perchlorate contamination from past manufacturing operations. The water produced at individual and shared wells frequently does not meet drinking water quality standards and there will continue to be a need for expanded treated water facilities (through a public water agency rather than individual wells and small mutual water companies) in the San Martin area in order to provide water treatment services for failed or at risk systems. Incorporation in itself will not result in a change in water service providers or in a change in the level of service.

Waste Water Disposal / Sewer Service

Sewer service is not provided in the San Martin area, the only exceptions being South County Government Center and the John H Boccardo San Martin Living Center on Monterey Road. All other properties rely on individual private septic systems for waste water disposal. The Lion's Gate Community Services District operates a package sewage treatment system for the Cordevalle development in the proposed incorporation boundaries. Current growth within the San Martin area is limited per the County's policies. Since the incorporation does not propose any changes to land use or involve any new development, incorporation will not result in an increased demand for sewer service.

Although no change in service levels is expected as a result of the incorporation, the majority of the septic systems in San Martin's core area are ageing and it is a matter of time before they will need replacement. Any future need or demand for sewer service in San Martin after incorporation would require significant resources for planning and infrastructure (including sewer pipes as well as sewage treatment facilities) development.

Parks and Recreation

After incorporation, the new Town will become responsible for future park and recreation services within the Town. Although there will be no local parks within the incorporation boundaries (based on exclusion of Area 1 from the boundaries), the Coyote Lake/ Harvey Bear Ranch County Park will be located adjacent to the Town's boundaries. No new park and recreation services are planned as part of the proposed incorporation.

Solid Waste Collection and Disposal

The County has a franchise agreement for this area and the current service provider for solid waste collection and disposal is South Valley Disposal. After incorporation, the Town of San Martin is likely to enter into a franchise agreement.

Animal Control

Animal control services are currently provided by the County through its Animal Care and Control Department. After incorporation, the Town could provide these services or contract with the County.

IV. EFFECT ON SPECIAL DISTRICTS

Several special districts provide services within all or a portion of San Martin. These districts include the San Martin County Water District which provides water service to a portion of San Martin, the Lions Gate Community Services District which provides sewer service to the Cordeville golf course and residential community, the South Santa Clara County Fire Protection District which provides fire protection services and emergency medical services to San Martin and other parts of unincorporated South County, the Loma Prieta Resources Conservation District which provides resource conservation services to all of the south county area, the Santa Clara Valley Water District which is a countywide water retailer and flood protection district, the Santa Clara County Open Space Authority which provides open space protection in the south county area, the County Library Service Area which provides library services to several cities and all of the unincorporated areas, the County Lighting Service Area which provides lighting services to some unincorporated areas and the Santa Clara County Vector Control District which provides countywide vector control services. The proposed incorporation will not affect these districts or the services provided by these special districts.

Nonetheless, Streets and Highways Code §22613 requires automatic detachment from County Service Areas (CSA) when CSA lands are incorporated or annexed to cities. Two CSAs exist within the proposed incorporation boundaries of San Martin namely, the County Lighting Services Area and the County Library Services Area.

Waive Detachment from County Lighting Service Area

The Lighting Service Area provides lighting service to small non-contiguous unincorporated areas including a small area within the San Martin incorporation boundaries. The proponents have indicated that they expect the County Lighting Services Area to continue providing services upon incorporation. Government Code §56375(n) allows LAFCO to waive the automatic detachment of territory from a CSA provided LAFCO is able to make specific findings that the detachment would deprive an area of service needed to ensure the health, safety and welfare of the residents of the area and that the waiver would not affect the ability of the city to provide any service.

The Executive Officer recommends that LAFCO waive the detachment of the County Lighting Service Area since the removal of the area from the CSA would deprive the area of street lighting as the Town has not proposed an alternate means of providing the service. Therefore retaining the CSA for providing

lighting services would benefit the public health and safety of the residents and would not affect the ability of the new town to provide service.

Detach from County Library Service Area

The sole purpose of the County Library Service Area is to provide financing for library services through the levy of benefit assessments. Since the voter-approved assessments expired in 2005, the County Library Service Area has no legal authority to levy the assessments and no longer serves any function. The Joint Powers Authority (composed of County and Cities members) that was created to administer and operate the County Library formed a Community Facilities District in 2003 with the same geographical area as the County Library Services Area for the purpose of funding library services. In May 2005 residents voted to continue funding library services through the Community Facilities District. The County Library Services Area continues to exist until a formal process officially dissolves it. Therefore, San Martin upon incorporation would be automatically detached from the County Library Service Area without any impact on the funding or provision of library services in the area.

V. PROPOSED AND RECOMMENDED BOUNDARIES

A. Incorporation Boundaries for the Town of San Martin

The proposed incorporation boundaries as submitted by the proponents, roughly encompass a 10,473 acre (approx. 16 square miles) area bounded by Maple Avenue on the north, New Avenue on the east, Masten Avenue on the south and Watsonville Road on the west. Please see Figure 1 for map of proponent's incorporation boundaries.

LAFCO is required to consider alternative boundaries and is empowered to modify boundaries in its review of proposals in accordance with Government Code §56668 and §56375 (a) & (l) and LAFCO Policies.

Staff evaluated the proponents' boundary and proposed the following modifications to the proponent's boundaries to better comply with State law, OPR incorporation guidelines and LAFCO policies:

- Exclusion of Area 1, 3, 4, 5, 6, and 7
- Inclusion of Area 2

Figure 2 depicts the staff proposed modifications to the proposed incorporation boundaries.

The Commission considered these alternative boundaries, the comments from the proponents, community, neighboring cities and other agencies at its December 5, 2007 meeting and at its February 6, 2008 meeting and directed staff to proceed with the following changes to the proponent's boundary:

- Exclusion of Areas 1 and 6
- Inclusion of Area 2 and 3

This preferred boundary identified by LAFCO and depicted in Figure 3 was used to clarify the project description for completing the environmental analysis process and for completing the fiscal analysis in the CFA.

For more detailed analysis of the boundary alternatives refer to December 5, 2007 and February 6, 2008 staff reports on alternative boundaries. The preferred boundary identified by LAFCO includes approximately 9,279 acres (approx. 12 square miles).

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Figure 2: Staff Proposed Modifications to the Proposed Incorporation Boundary

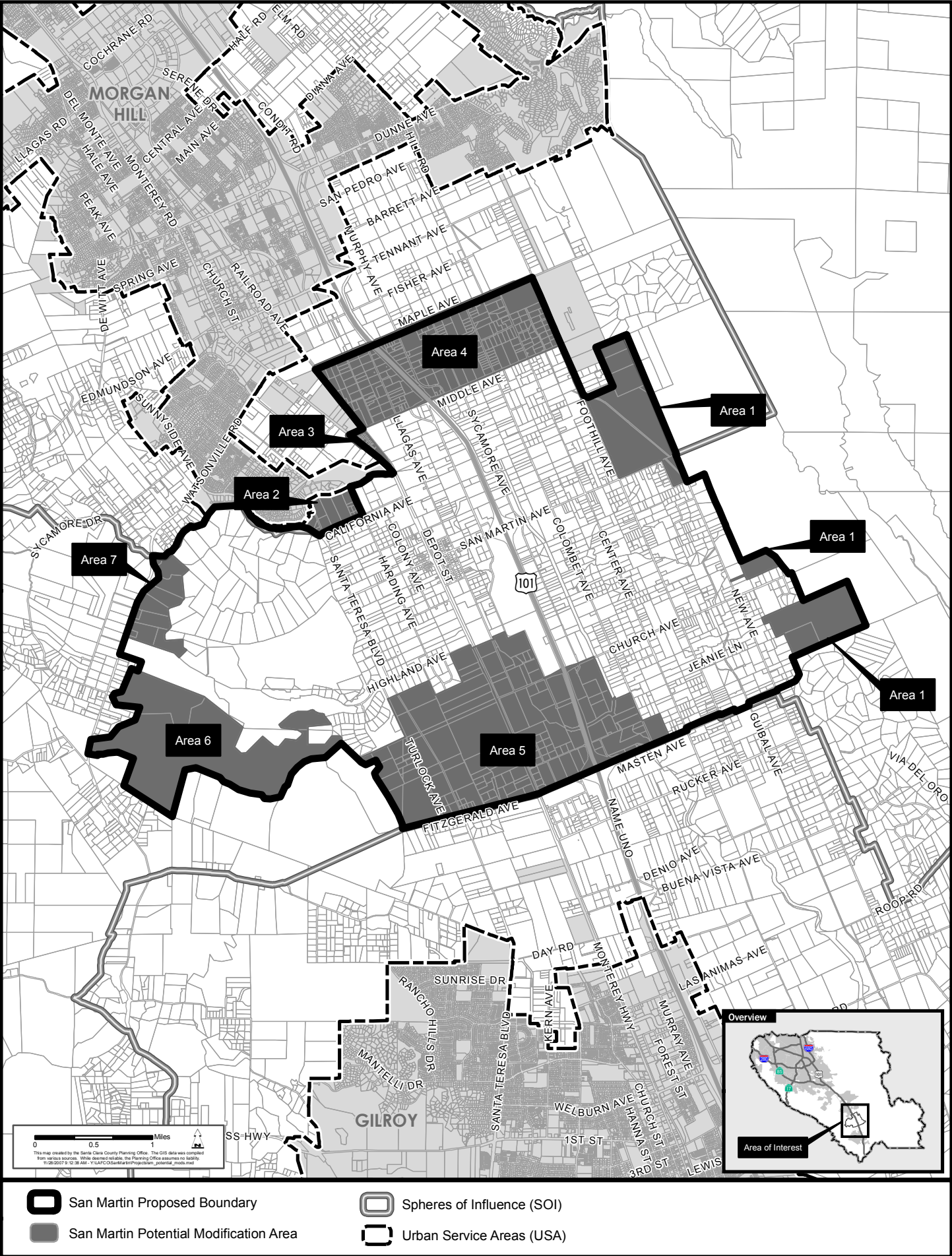
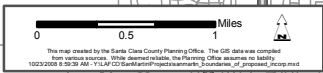
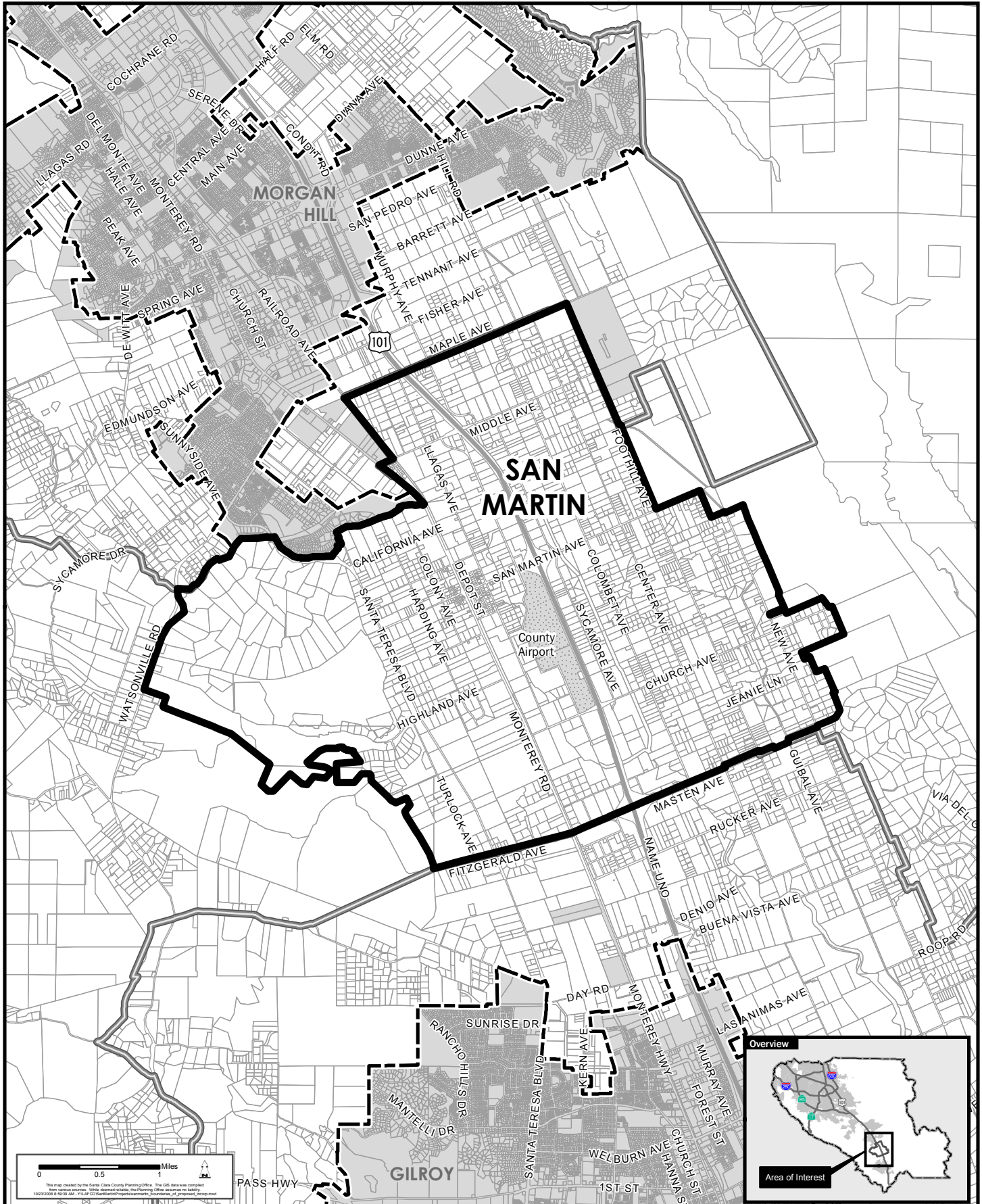


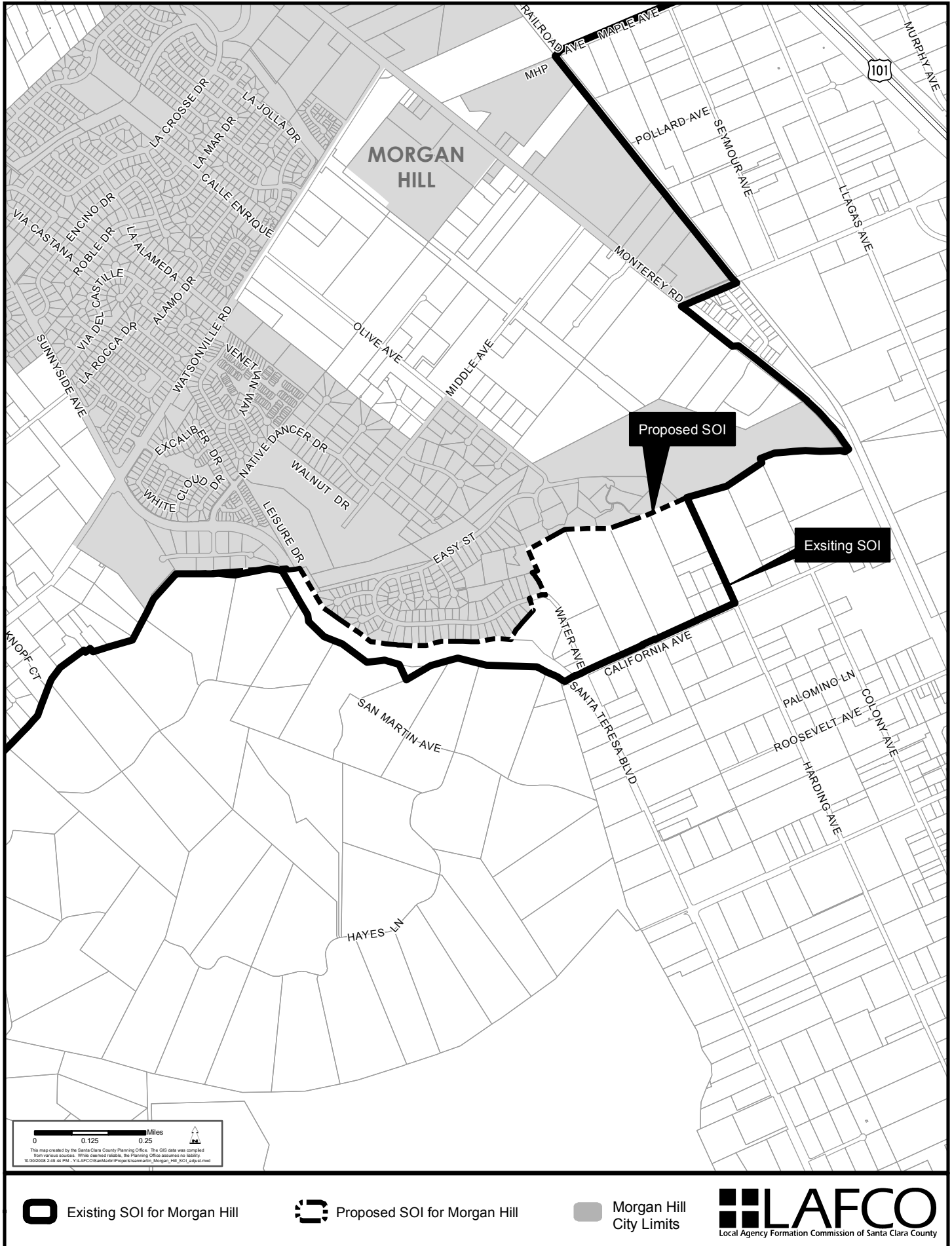
Figure 3: Preferred Incorporation Boundary Identified by LAFCO



- Recommended Boundary for Town Limits, Urban Service Area, and Sphere of Influence
- Other Cities' Spheres of Influence
- Other Cities' Urban Service Areas



Figure 4: Proposed Amendment to the Sphere of Influence (SOI) of Morgan Hill



B. Sphere of Influence (SOI) for the Town of San Martin

In Santa Clara County, a SOI boundary for a city serves multiple purposes including:

- A long-range planning tool to help LAFCO evaluate urban service area boundary changes and annexation requests,
- The area designated as a city's planning area or area covered by a city's General Plan,
- Areas that will not necessary be annexed by a city or will not necessarily receive services from the city, but are areas in which the County and a city may have shared interested in preserving non-urban levels of land use,
- Areas where a city and a county have significant interaction, and
- Areas that contain social or economic communities of interest to a city.

Government Code §56076 defines the SOI as "...a plan for the probable physical boundaries and service area of a local agency, as determined by the Commission." LAFCO is required by Government Code §56425 to develop and adopt a SOI for each city and special district in the county.

LAFCO may either approve a SOI for a new city at the time of LAFCO's hearing on the proposed incorporation or postpone consideration of the SOI for up to one year (Government Code § 56426.5) after voter approval.

The incorporation boundaries for San Martin abut the SOI of Morgan Hill to the north and the SOI of Gilroy to the south and include all lands up to the foothills in the east and up to Watsonville Road on the west. Because the incorporation boundaries include all potential lands within the Town limits, the Executive Officer recommends that the Commission establish a SOI boundary for San Martin that is coterminous with the Town's boundaries.

C. Urban Service Area (USA) for the New Town

In the early 1970s, LAFCO, Santa Clara County, and its 15 cities, all adopted Joint "Urban Development Policies" that implement the concept of staged urban development and managed growth and development in Santa Clara County. Each city in Santa Clara County has an urban service area boundary which designates the land that the city would annex in the next 5 years. The establishment of an Urban Service Area and Sphere of Influence will provide a framework for long range planning for the new Town. Cities in Santa Clara County are allowed to annex lands within their USAs without LAFCO approval.

Given the large incorporation boundaries, the Executive Officer recommends that an USA boundary be established for San Martin that is coterminous with the Town's boundaries and its sphere of influence. The Town would have the land use and service provision authority over all lands within the Town limits regardless of whether those lands are in the USA or not. An USA boundary would not necessarily create any expectations with regard to the provision of urban services as it is the establishment of Town limits that commits the Town to provide services and not the establishment of an USA boundary. The type and level of urban services provided within the Town limits will be determined by the Town Council based on its plans and policies.

VI. CEQA: ENVIRONMENTAL EVALUATION

The proposed incorporation of the Town of San Martin and the associated actions are considered a "project" under the California Environmental Quality Act (CEQA). LAFCO of Santa Clara County is the Lead Agency for the purposes of preparing and completing the environmental review process for this project.

On November 5, 2007, LAFCO released an Initial Study and Proposed Negative Declaration for the project for a 30-day public review and comment period. During this period, LAFCO received several comment letters requesting that LAFCO clarify issues and include additional information in the Initial Study. On February 6, 2008, LAFCO identified a preferred alternative boundary for the proposed San Martin Incorporation. In order to address these comments and to include new information, the Initial Study was revised to include:

- Analysis of the project's consistency with State law, and LAFCO, Cities, and County policies,
- Clarification of the current and future provision of park and recreation services within the project area,
- Clarification of the current and future role of County Services Areas within the project area, and
- An amendment of Morgan Hill's Sphere of Influence Boundary and inclusion of Area 2 in the proposed incorporation boundary

The Revised Initial Study and Proposed Negative Declaration (Revised IS/ND) was released on March 12, 2008 for a 30-day public review and comment period. See Attachment B for the document. The new Section 3.1 included prefatory information indicating the proposed project may not be entirely consistent with

LAFCO policies as well as various local and regional policies. Additional written comments were received from various stakeholders. LAFCO held a public hearing on May 7, 2008 to accept public testimony on the Revised IS/ND. LAFCO then directed its staff to consider the comments received and directed LAFCO Counsel to review the entire record and to provide advice to the Commission on next steps for the environmental review process.

On June 4, 2008, LAFCO, after considering the entire record (including additional information from LAFCO staff, LAFCO's environmental consultant, and LAFCO's Counsel), directed staff to finalize and proceed with the Revised IS/ND on the basis that the project could not have a significant effect on the environment. LAFCO determined that any potential inconsistencies with LAFCO policies or local and regional policies documented in Section 3.1 would not result in a foreseeable physical change to the environment as a result of the incorporation, and that it would be speculative to foresee physical changes as the incorporation does not propose any changes in land use or service levels and only proposes a change in decision making authority. LAFCO also determined that most of the impacts were "paper" impacts that were purely speculative. Without the support of any real, credible evidence of immediate or imminent development pressures, LAFCO indicated that it was unable to foresee how a community incorporated for the purpose of preserving the rural agricultural character would succumb to development pressures. Furthermore, LAFCO noted that even with no change in decision making authority (i.e. no incorporation), development in the area would continue to occur under the County General Plan because of the County's actions or decisions and that it is not possible to speculate on what changes the new city council would make to its General Plan after incorporation. Any future changes to land use or zoning that the new Town makes would be subject to CEQA at that time.

If LAFCO adopts the Revised Initial Study and Negative Declaration and approves the incorporation, LAFCO staff will file a Notice of Determination of a Negative Declaration with the County Clerk within 5 working days. The filing of the Notice of Determination starts a 30-day statute of limitations on court challenges to the approval of the project under CEQA.

VII. COMPREHENSIVE FISCAL ANALYSIS (CFA)

The Comprehensive Fiscal Analysis and Plan for Services for the Proposed Incorporation of the Town of San Martin was prepared by Economic & Planning Systems Inc. and is based on requirements and guidelines for CFAs established

by the Cortese Knox Hertzberg Act, the State Office of Planning and Research (OPR) and the Santa Clara LAFCO Incorporation Policies.

The CFA was prepared in collaboration with the County and the proponents of the incorporation. All assumptions and methodologies used in the calculations are identified and detailed in the CFA. The financial calculations in the CFA are based on Fiscal Year 2006-2007 data. FY 2006-2007 is the most recent fiscal year preceding the issuance of the certificate of filing for which data on actual direct and indirect costs and revenues are available as required by Government Code §56810(g).

A. Financial Feasibility

One of the key findings that the Commission must make prior to approving an incorporation proposal relates to financial feasibility of the new city specifically *“that the proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.”* The CFA provides LAFCO with the information necessary to assess financial feasibility of the new city.

Two key aspects of the incorporation proposal, namely the proposed plan for services and the boundaries for the incorporation proposal influence the feasibility analysis. The CFA includes information on the proposed plan for services as well as an analysis of alternative boundaries.

i. Utility Users Tax Required

The CFA concludes that the incorporation of San Martin is fiscally feasible contingent on the approval of a Utility Users Tax (UUT) of 10.7% on gas and electricity in the first six years of the incorporation and a 6.9% UUT on gas and electricity from Year 7 through Year 25 following the incorporation. The Table titled “Summary of Revenues and Expenses” (which is Table 1 excerpted from the CFA) summarizes the 10-year projections of the city’s revenues and expenses assuming the UUT is approved. In the initial six years, the Town must generate approximately \$500,000 in additional new taxes and approximately \$380,000 in new revenues from Year 6 to Year 25 in order to have sufficient revenues to cover its expenses and revenue neutrality payments. It is expected that a minimum 10.7% UUT in the first six years followed by a 6.9% UUT from then onwards will be necessary. For San Martin residents, the estimated average annual cost of a 10.7% UUT would be approximately \$284 per household and the average annual cost of 6.5% UUT would be approximately \$182 per household, assuming a \$220 average monthly utility bill for gas and electricity and assuming 1,766 residential electricity customers.

Please note that the tax percentages have been revised slightly from the percentages in the CFA, based on utility billing data provided by PG&E for the San Martin area for 2007.

ii. Election and Ballot Measures

If the incorporation is approved by LAFCO, a majority of voters in San Martin must approve both the incorporation and the UUT for the incorporation to be successful. If either one of the measures does not receive majority approval, the incorporation fails. It is assumed that the issue will be on the June 2, 2009 ballot and if both the incorporation and the tax measures pass, the incorporation will become effective on July 1, 2009 or soon thereafter.

Pursuant to Government Code §57133(a) and §57134, the proposed ballot wording shall be substantially in the following form:

Shall the Order adopted on November ____, 2008, by the Local Agency Formation Commission of Santa Clara County ordering the incorporation of the territory described in the Order and designated in the order as the "Proposed Incorporation of the Town of San Martin" be confirmed subject to the terms and conditions specified in the Order, including a Utility Users Tax as described in the Order?

Shall the San Martin Town Council levy and collect a Utility Users Tax on electricity and gas of 10.7% in the first six years of the incorporation and of 6.9% from Year 7 through Year 25 to fund general services as described in the Order?

TABLE: SUMMARY OF REVENUES AND EXPENSES

INCLUDES REVENUE NEUTRALITY MITIGATION

Summary of Revenues and Expenses (All Figures in Constant \$'s)											
San Martin Incorporation Analysis, EPS #17060											
Item	Full Transition Year			12 months			Proponents' Proposed Boundary				
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	
	1	2	3	4	5	6	7	8	9	10	
A. GENERAL FUND OPERATIONS											
General Fund Revenues											
Property Taxes	\$0	\$705,773	\$724,107	\$742,968	\$762,367	\$782,320	\$802,841	\$823,945	\$845,646	\$867,960	
Sales Tax	\$419,443	\$638,885	\$638,885	\$638,885	\$638,885	\$638,885	\$638,885	\$638,885	\$638,885	\$638,885	
Transient Occupancy Tax	\$221,557	\$221,557	\$221,557	\$221,557	\$221,557	\$221,557	\$221,557	\$221,557	\$221,557	\$221,557	
Real Property Transfer Tax	\$5,305	\$5,436	\$5,571	\$5,708	\$5,849	\$5,993	\$6,141	\$6,292	\$6,447	\$6,605	
Franchise Fees	\$289,670	\$289,873	\$290,075	\$290,277	\$290,479	\$290,681	\$290,883	\$291,086	\$291,288	\$291,490	
Planning and Building Fees	\$0	\$274,742	\$276,116	\$277,496	\$278,884	\$280,278	\$281,679	\$283,088	\$284,503	\$285,926	
Public Works/Eng. Fees	\$0	\$89,020	\$89,465	\$90,913	\$90,362	\$90,814	\$91,268	\$91,724	\$92,183	\$92,644	
Fines, Penalties, Misc.	\$42,813	\$32,684	\$32,793	\$32,901	\$33,009	\$33,117	\$33,225	\$33,333	\$33,441	\$33,549	
State Motor Vehicle License Fees	\$62,172	\$62,377	\$62,583	\$62,788	\$62,994	\$63,200	\$63,405	\$63,611	\$63,816	\$64,022	
Utility Users Tax (1)	\$499,800	\$499,800	\$499,800	\$499,800	\$499,800	\$499,800	\$499,800	\$499,800	\$499,800	\$499,800	
VLF (AB1802)	\$547,312	\$512,513	\$477,474	\$442,193	\$406,670	\$370,907	\$332,113	\$300,000	\$267,333	\$234,666	
Revenue Credits (transition yr. rec'd by County)											
Investment Earnings	\$41,761	\$70,653	\$70,369	\$70,090	\$69,817	\$69,551	\$69,285	\$69,019	\$68,753	\$68,487	
Total	\$2,129,834	\$3,603,315	\$3,588,794	\$3,574,576	\$3,560,674	\$3,547,104	\$3,533,665	\$3,520,226	\$3,506,787	\$3,493,348	
General Fund Expenses											
Legislative	\$29,500	\$29,500	\$29,500	\$29,500	\$29,500	\$29,500	\$29,500	\$29,500	\$29,500	\$29,500	
Elections	\$200,000	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	
City Manager and City Clerk	\$281,225	\$328,659	\$330,289	\$331,927	\$333,573	\$335,227	\$336,880	\$338,536	\$340,192	\$341,848	
City Attorney	\$250,000	\$76,131	\$76,511	\$76,894	\$77,278	\$77,665	\$78,053	\$78,443	\$78,836	\$79,230	
Administrative Services	\$166,050	\$222,507	\$223,620	\$224,738	\$225,861	\$226,989	\$228,126	\$229,266	\$230,413	\$231,565	
Police	\$0	\$588,661	\$594,598	\$600,594	\$606,650	\$612,767	\$618,944	\$625,184	\$631,485	\$637,850	
Animal Control	\$0	\$74,811	\$75,185	\$75,561	\$75,939	\$76,319	\$76,700	\$77,084	\$77,469	\$77,856	
Planning and Building	\$137,672	\$443,032	\$444,635	\$446,246	\$447,864	\$449,491	\$451,126	\$452,769	\$454,421	\$456,080	
Public Works Administration	\$74,250	\$178,931	\$179,825	\$180,724	\$181,628	\$182,536	\$183,449	\$184,366	\$185,288	\$186,211	
Revenue Neutrality Mitigation Payment (1)	\$500,771	\$500,771	\$500,771	\$500,771	\$500,771	\$500,771	\$500,771	\$500,771	\$500,771	\$500,771	
Non-Departmental											
Office Rent/Supplies	\$109,000	\$112,500	\$84,500	\$76,500	\$76,500	\$76,500	\$76,500	\$76,500	\$76,500	\$76,500	
Insurance	\$37,431	\$61,915	\$61,133	\$61,554	\$61,975	\$62,396	\$62,817	\$63,238	\$63,659	\$64,080	
Contingency (10%)	\$233,596	\$212,576	\$209,890	\$211,334	\$208,772	\$206,310	\$203,848	\$201,386	\$198,924	\$196,462	
Reserve Fund Contribution	\$233,596	\$212,576	\$209,890	\$211,334	\$208,772	\$206,310	\$203,848	\$201,386	\$198,924	\$196,462	
LAFCO	\$1,437	\$1,437	\$1,437	\$1,437	\$1,437	\$1,437	\$1,437	\$1,437	\$1,437	\$1,437	
Repayment of Transition Yr. Only Services (2)	(\$61,566)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total	\$2,192,960	\$2,819,521	\$2,808,314	\$2,828,323	\$2,705,882	\$2,743,400	\$2,743,943	\$2,771,369	\$2,772,122	\$2,799,760	
General Fund Operating Surplus (Deficit) (3)	(\$63,127)	\$783,794	\$780,480	\$746,253	\$854,792	\$803,703	\$645,822	\$643,734	\$668,943	\$667,905	
Reserve Fund Balance	\$233,596	\$212,576	\$209,890	\$211,334	\$208,772	\$206,310	\$203,848	\$201,386	\$198,924	\$196,462	
% of Expenditures (exc. conting. reserves, mitigatio	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
B. ROAD FUND OPERATIONS											
Road Fund Revenues											
Gas Taxes	\$200,789	\$188,455	\$176,036	\$163,531	\$150,940	\$138,264	\$138,692	\$139,119	\$139,547	\$139,975	
Prop 42 Funds	\$63,687	\$63,899	\$64,751	\$65,614	\$66,488	\$67,373	\$68,268	\$69,175	\$70,094	\$71,023	
Total	\$264,476	\$252,354	\$240,787	\$229,145	\$217,428	\$205,637	\$206,960	\$208,295	\$209,641	\$210,998	
Road Fund Expenditures											
Pavement Maintenance		\$310,050	\$313,150	\$316,282	\$319,445	\$322,639	\$325,865	\$329,124	\$332,415	\$335,740	
Signal Maintenance, Traffic Engineering		\$51,008	\$51,263	\$51,519	\$51,776	\$52,035	\$52,296	\$52,557	\$52,820	\$53,084	
Other Costs (sweeping, trash removal, signs, drainage)		\$370,644	\$372,497	\$374,360	\$376,232	\$378,113	\$380,003	\$381,903	\$383,813	\$385,732	
Contingency (10%)		\$73,170	\$73,691	\$74,216	\$74,745	\$75,279	\$75,816	\$76,358	\$76,905	\$77,456	
Repayment of Transition Yr. Only Services	\$0	\$180,928	\$180,928	\$180,928	\$180,928	\$180,928	\$180,928	\$180,928	\$180,928	\$180,928	
Total	\$0	\$985,800	\$991,529	\$997,304	\$1,003,126	\$1,008,994	\$833,981	\$839,943	\$845,953	\$851,011	
Road Fund Operating Surplus (Deficit)	\$264,476	(\$733,446)	(\$750,742)	(\$768,160)	(\$785,698)	(\$803,357)	(\$627,021)	(\$631,648)	(\$636,312)	(\$641,013)	
TOTAL, All Funds	\$201,350	\$50,348	\$29,738	(\$21,907)	\$69,094	\$346	\$18,802	\$12,086	\$32,631	\$26,892	
Cumulative Surplus (Deficit)	\$201,350	\$251,698	\$281,436	\$259,529	\$328,622	\$328,969	\$347,770	\$359,856	\$392,487	\$419,379	

(1) New utility users tax included to offset payment for impacts on County General Fund. Amount reduced in Year 7 when City is able to contribute other net revenues to repayment.

(2) Repayment for animal services, planning and land use, code enforcement, public works, and sheriff services the County is obligated to provide for the remainder of the first fiscal year (less County-retained revenues).

(3) Potential initial year shortfall can be spread over subsequent years by deferring repayment of County's Transition Year service costs; this will not affect the fiscal conclusions.

Economic & Planning Systems, Inc. 10/7/2008

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iii. Summary of Town's Expenditures and Revenues

The total General Fund expenditure for the new Town is an annual average of approximately \$2.8 million. The largest expenditure is for police protection which is an average annual cost of approximately \$600,000. An annual revenue neutrality mitigation payment of \$500,771 to the County is included in the expenditures. In addition to the General Fund expenditures, the road expenditures amount to an annual cost of approximately \$800,000. A 10% annual contingency is included in both the General Fund and Road Fund and another 10% reserve fund is maintained cumulatively as of the first year.

The new Town would receive a small portion of its funds as Road Funds (approximately \$220,000) which are revenues restricted by law to road related expenses and which cannot be used to pay for general services. General Fund revenues make up the majority of the new Town's revenues and can be used to provide for a variety of city services.

The Table titled "Summary of Revenues and Expenses" shows that the estimated General Fund surplus for the 10 year period following incorporation averages approximately \$730,000 annually without including the first year of incorporation. An annual revenue neutrality mitigation payment of \$500,771 to the County is budgeted following the incorporation. The first year ends with a General Fund shortfall of \$63,000. This shortfall may be dealt with by spreading the transition year costs over the following five years, as allowed by State law. The General Fund surpluses in the subsequent years are used to cover the road maintenance costs.

Estimated Road Funds over the ten-year period result in an average deficit of approximately \$700,000 each year except for the first year that sees a \$264,476 surplus as that year's costs for road maintenance are spread over the subsequent five year period. Despite using the General Fund to cover the Road Fund shortfalls, one of the first ten years results in a deficit - Year 4 reflects an overall deficit of \$21,907. This deficit is likely slightly underestimated as it does not include the payment of the General Fund's first year shortfall of \$63,000. The combined surplus for General Fund and Road Fund in the remaining years ranges from approximately \$300 to \$200,000 and averages around \$50,000.

A July 1, 2009 effective date allows for a transition period of 12 months, that is the period from the effective date of the incorporation up to the end of the fiscal year (July 1, 2009 to June 30, 2010). During this transition period the County is required by state law to continue providing services while the new city receives

certain revenues. This allows the new city to get ready to take on the full responsibility for service provision. The new town has up to 5 years to reimburse the County for the cost of services provided during this transition period.

B. Revenue Neutrality

In addition to financial feasibility, incorporations must meet the revenue neutrality requirements in the CKH Act. Government Code §56815 states that incorporations must result in a similar exchange of both revenue and responsibilities for service delivery among the county, the proposed city and other affected agencies. Based on the CFA, it has been determined that the incorporation of San Martin will result in a negative fiscal impact to the County since the revenues transferred to the Town exceed the service costs transferred to it by approximately \$870,000 annually as summarized in the Table titled "Change in Revenues and Expenses to Santa Clara County" (which is Table 3 excerpted from the CFA). The CKH Act allows the County and the Town to negotiate terms to achieve revenue neutrality. All recent incorporations in the state have had negotiated revenue neutrality agreements with varying mitigation amounts and terms. In this case, the County and the Town were unable to reach agreement during the two opportunities that they were given. LAFCO will therefore establish the revenue neutrality terms at its discretion.

At its October 1, 2008 LAFCO meeting, LAFCO directed staff to develop revenue neutrality terms in which the Town must pay the County a total of \$10,296,398 (including a 3% inflation rate) to mitigate the projected revenue loss to the County of \$8.7 million over a 10 year period. In order to reduce annual payments by the Town, the Commission also directed that the period of mitigation payments be extended over a 25 year period. The annual mitigation payments equal \$500,771 for 25 years. This option was selected by the Commission from alternatives provided by staff at the September and October LAFCO meetings and is the same as the revenue neutrality proposal made by the County. (Refer to staff reports on Options for Revenue Neutrality dated September 10, 2008 and October 1, 2008)

TABLE: CHANGE IN REVENUES AND EXPENSES TO SANTA CLARA COUNTY

Table 3
Change in Revenues and Expenses to Santa Clara County
San Martin Incorporation Analysis, EPS #17060 **Proponents' Proposed Boundary**

Item	Amount	Notes
General Fund Revenues and Expenditures (FY07) (1)		
Revenues Transferred to the City		
Property Taxes	\$599,522	Estimated transfer amount FY 07
Transient Occupancy Tax	\$221,557	
Sales Tax	\$838,885	Includes estimated 12% unallocated
Real Property Transfer Tax	\$2,335	50% of FY 07 amount (\$ 55/\$1,000 value)
Franchise Fees	\$253,621	Including solid waste, PG&E, cable, water
AB 939 Fees	\$10,237	
Subtotal	\$1,926,157	
Expenditures for Service Responsibilities Transferred to the City (1)		
Animal Control	\$278,447	
Land Use Planning, Inspection, Enforcement	\$151,056	
Clean Water	\$3,186	
Waste Management	\$129,205	
Sheriff	\$483,933	
Subtotal	\$1,045,827	
Other (revenue increases) (2)		
Property Tax Administration Fees	\$8,090	Based on first year of city
Booking Fees	\$0	Not paid by cities, per State budget
Net County Surplus or (Deficit)	(\$872,240)	
County Road Fund		
Revenue Reductions (3)		
Gas Tax: Highway User Tax 2106c	\$27,491	Based on 7.7% reduction in unincorp. a.v.
Gas Tax: Highway User Tax 2105a [2]	\$208	Based on reduction in County maintained miles
Grants		No reduction assumed
Traffic Congestion Relief: 2182a [1] (B)	\$41,624	Based on reduction in County maintained miles
Subtotal	\$69,323	
Expenditure Reductions		
Road Maintenance (4)	\$1,502,235	Based on FY07 costs, noted as atypical (higher) of recent average road maintenance expenditures.
Other Road Costs (traffic engineering, signal maint.)	\$120,000	Excludes cost-recovery development engineering
Subtotal	\$1,622,235	
Net County Road Fund Surplus or (Deficit)	\$1,552,912	
Total General Fund and Road Fund Surplus or (Deficit)	\$680,672 (5)	

- (1) Costs shown in this table represent FY07 County costs for those service responsibilities to be transferred to the new city. Future city costs shown in Table 1 will not necessarily correspond to these FY07 County costs since the specific future services, staffing, facilities, contracts and manner of service provision will differ for the future city. For example, the future city will need to provide traffic enforcement, which currently is not a County responsibility.
- (2) The County will realize new revenues (e.g., property tax administration charges) for services currently provided without compensation.
- (3) County road revenues are not significantly affected, as they largely depend on Countywide population and registered vehicles, and are not influenced by a change in unincorporated vs. incorporated population or road miles.
- (4) Road maintenance expenditures are based on County estimates of FY07 expenditures. These costs are higher than the County's estimated average expenditures in the San Martin area and are above the estimate of average annual road maintenance costs that the new city is likely to incur.
- (5) Legal requirements restrict the transfer of certain Road Fund revenues to directly offset General Fund service cost impacts. Legal counsel has indicated that LAFCO may consider the two funds in total when determining revenue neutrality impacts.

VIII. FACTORS TO BE CONSIDERED IN REVIEW OF PROPOSAL

In addition to the legally required findings described in this report, §56668 of the Government Code also requires LAFCO to consider several factors in its review of a proposal. Several of these factors have been considered and analyzed elsewhere in the report. The following is a discussion of other applicable factors:

A. Agricultural Lands / Williamson Act Contracts Considerations

The CKH Act requires LAFCO to protect agricultural lands, maintain the economic integrity of agricultural lands, requires that development be guided away from existing prime agricultural lands and requires the development of vacant lands within the jurisdiction before approving proposals that would allow development of agricultural lands outside jurisdictional boundaries.

The San Martin incorporation boundaries contain agricultural lands identified as Prime Farmland (approx. 2,132 acres), Unique Farmland (approx. 257 acres) and farmland of Statewide Importance (approx. 577 acres) by the State Department of Conservation and contain lands designated for agricultural uses in the County General Plan. Given the amount of vacant and agricultural land in and surrounding the incorporation area, the proposal could reasonably be expected to convert agricultural lands into other uses in the future. However, no change in land use is proposed and no development is proposed as part of the incorporation and the General Plan and zoning designations are not proposed to be changed following the incorporation. The proponents have stated that one of the objectives of the incorporation is to maintain the rural character of the area.

Within the proposed incorporation boundaries, there are currently 187 properties under the Williamson Act totaling approximately 2,200 acres. In 2006, the County filed and recorded notices for non-renewal on 126 of the 187 properties, as they did not meet the minimum acreage requirement and / or the requirement for having a commercial agricultural operation on the property. These 126 contracts are set to expire in the years 2016 or 2017. The remaining 61 properties under Williamson Act are scattered throughout the incorporation boundary.

Pursuant to Government Code section 56754, the new Town must succeed to the rights, duties and powers of the County in administering any Williamson Act contracts. LAFCO conditions of approval will specifically ensure that the status

of these contracts will not be affected by the proposed incorporation. See the section on recommended terms and conditions.

B. Fair Share of Regional Housing Needs

Each city and county is required to adopt a general plan with a mandatory housing element that must be updated every five years. Among other things, the Housing Element must include the city's share of regional housing needs. A state mandated process exists for determining how many housing units, including affordable units, each community must plan to accommodate and it is called the Regional Housing Needs Allocation (RHNA). Within the nine-county Bay Area region that includes Santa Clara County, the Association of Bay Area Governments (ABAG) distributes the regional housing needs to cities and counties. This year, ABAG released its San Francisco Bay Area Housing Needs Plan 2007-2014 which includes the housing needs allocations.

Since the incorporation will occur after the allocation has been made, Government Code §65584.07(c) allows the new Town and the County to reach a mutually acceptable agreement on that allocation and report it to ABAG to revise the determination of housing needs. If the two parties are unable to reach a mutually acceptable agreement then either party may request ABAG to consider the facts, data and methodologies presented by both parties and make the revised determinations. ABAG shall make the revised determination reallocating a portion of the County's share to the new Town within six months of receipt of the written request. The revised determination shall neither reduce the total regional housing needs previously allocated nor change the previous allocation to the other cities in the county.

As the incorporation proposal does not include a change in land use and zoning designations, no change is expected in the Town's ability to support the fulfillment of the regional housing needs.

C. Environmental Justice

The proposed incorporation is not expected to promote or discourage the fair treatment of minority or economically disadvantaged groups with respect to the location of public facilities and the provision of public services.

The incorporation proposal does not include the provision of any new services. One of the main objectives of the incorporation is to have local control over land use, growth, planning policy and other governmental activities and to maintain the existing service levels and rural residential community character.

IX. REQUIRED LAFCO FINDINGS AND DETERMINATIONS

The CKH Act provides that specific criteria must be met for city incorporations. These criteria termed “findings” must be made before LAFCO can approve the incorporation.

A. Government Code §56720 Findings

Government Code §56720 states that the Commission shall not approve or conditionally approve any proposal which includes an incorporation, unless the commission finds, based on the entire record, that certain findings can be made. The following are the five required findings and supporting information:

- (a) *The proposed incorporation is consistent with the intent of this division, including, but not limited to, the policies of Sections 56001, 56300, 56301 and 56377.*

The proposed incorporation area includes substantial amounts of prime agricultural lands (approximately 2,000 acres) and undeveloped lands (approximately 2,500 acres). The Town upon incorporation would have the land use jurisdiction to designate future land uses and would have the authority to provide urban type services to lands within its boundaries. Any changes that involve the provision of new urban services or more intensive development could result in premature conversion of agricultural lands or impact agricultural lands. However, the stated intent of the incorporation is to maintain the rural character of the community, the incorporation proposal does not involve changes to land use nor does it involve the provision of new services to the area. LAFCO, at its June 4, 2008 meeting, discussed whether the incorporation was consistent with LAFCO policies that call for the creation and maintenance of buffers between the South County cities and whether it was reasonably foreseeable that the incorporation could negatively impact agricultural or open space lands. LAFCO concluded that it could not speculate as to what actions the new city council would take and that buffers already exist between the proposed new city and the cities of Morgan Hill and Gilroy.

Based on and consistent with the Commission’s June 4, 2008 CEQA discussion and conclusion, it can be found that the incorporation proposal is consistent with the legislative intent of Government Code Section 56720(a).

- (b) *It has reviewed the spheres of influence of the affected local agencies and the incorporation is consistent with those spheres of influence*

The preferred incorporation boundary identified by LAFCO includes Area 2 which is land located along California Avenue, within the sphere of influence of Morgan Hill. This land consists of approximately 74 acres. Even though this area is within Morgan Hill's current SOI, it is outside its urban service area and is topographically and geographically better suited to be within San Martin. Keeping this area outside the incorporation boundaries would result in the creation of an island which is prohibited by state law and LAFCO policies. Concurrent with the approval of the incorporation, Morgan Hill's sphere of influence boundary will be amended to exclude this area. In an email dated March 20, 2008, Morgan Hill conveyed its City Council's support for excluding this area from its sphere of influence. Therefore the incorporation will not conflict with the sphere of influence of the City of Morgan Hill.

Other special districts lie within the incorporation area. No service changes are proposed and their spheres of influence are not affected by the proposed incorporation as described in this report. The incorporation boundary is therefore consistent with the spheres of influence of affected local agencies.

(c) *It has reviewed the comprehensive fiscal analysis prepared pursuant to Section 56800 and the Controller's report pursuant to Section 56801.*

The Comprehensive Fiscal Analysis (CFA) was prepared by Economic and Planning Systems and the Draft Report was made available for public review and comment in March 2008. The Commission held a public hearing in March 2008 to accept comment on the Public Hearing Draft CFA. EPS has prepared responses to comments received from proponents, the public and other agencies / organizations. The Report was further revised on October 7, 2008 in response to the comments and to include the revenue neutrality terms recommended by LAFCO. The proponents submitted a request for review of the CFA by the State Controller's Office on October 30, 2008. LAFCO Policies require a deposit towards cost of the review. If the request is completed with payment of the deposit by November 6, 2008, the LAFCO public hearing will be opened and staff will recommend continuation of the Public Hearing to include the Controller's analysis in the Executive Officer's Report.

Attachment C contains the entire Public Hearing Draft CFA dated October 7, 2008 and information from the Report is included within this Executive Officer's Report. The Commission has reviewed the Comprehensive Fiscal Analysis.

- (d) *It has reviewed the Executive Officer's report and recommendation prepared pursuant to Section 56665, and the testimony presented at its public hearing.*

The Executive's Officers Report with recommendations was prepared and distributed five days prior to the hearing date as required by the Government Code section 56665. The Report and all comments and public testimony received at the hearing and prior to the date of the hearing are part of the public record for the proposal. An informal workshop will be held to present the report to the community on November 3, 2008. The public hearing is scheduled for November 7, 2008.

- (e) *The proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.*

The CFA concluded that the proposed Town is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation subject to the majority voter approval of a Utility Users Tax (UUT) of 10.7% on gas and electricity in the first six years of the incorporation and a 6.9% UUT on gas and electricity from Year 7 through Year 25 following the incorporation. The UUT will raise revenue for general governmental purposes of the Town and these revenues shall be placed in the Town's general fund and used for Town expenses.

B. Findings Regarding Revenue Neutrality: §56815

Government Code §56815 states:

- (b) *The commission shall not approve a proposal that includes an incorporation unless it finds that the following two quantities are substantially equal:*
- (1) *Revenues currently received by the local agency transferring the affected territory that, but for the operation of this section, would accrue to the local agency receiving the affected territory.*
 - (2) *Expenditures, including direct and indirect expenditures, currently made by the local agency transferring the affected territory for those services that will be assumed by the local agency receiving the affected territory.*
- (c) *Notwithstanding subdivision (b), the commission may approve a proposal that includes an incorporation if it finds either of the following:*
- (1) *The county and all of the subject agencies agree to the proposed transfer.*

(2) The negative fiscal effect has been adequately mitigated by tax sharing agreements, lump-sum payments, payments over a fixed period of time, or any other terms and conditions pursuant to Section 56886.

Revenues transferred from the County to the Town are higher than the expenditures transferred by the County to the Town by approximately \$870,000 annually and therefore this results in a negative fiscal impact to the County. Since the County and the proponents could not reach agreement on how to mitigate this negative fiscal impact, the Commission at its October 1, 2008 LAFCO meeting, recommended mitigation terms pursuant to 56815 (c)(2). The calculation of the impacts and the specific terms of mitigation are included in the CFA and in the Executive Officer's Report.

No other agency serving the area experiences a significant negative fiscal impact as a result of the incorporation.

X. RECOMMENDED TERMS AND CONDITIONS

The Commission approves the proposed incorporation of the Town of San Martin, subject to terms and conditions included below and subject to voter approval of the incorporation and voter approval of a Utility Users Tax (UUT) of 10.7% on gas and electricity in the first six years of the incorporation and a 6.9% UUT on gas and electricity from Year 7 through Year 25 following the incorporation. The UUT will raise revenue for general governmental purposes of the Town and these revenues shall be placed in the Town's general fund and used for Town expenses.

The Commission approves the proposed incorporation of the Town of San Martin subject to the following terms and conditions:

Town Boundaries

The boundaries of the Town of San Martin shall be as depicted in Figure 3. Within 14 calendar days of LAFCO adoption of this resolution, the proponents must submit to LAFCO, a map and legal description of the approved incorporation boundary. The legal description must be prepared by a licensed land surveyor to meet the standards of the State Board of Equalization. LAFCO will have the map reviewed by the County Surveyor for compliance with Government Code Section 56375 (l) and LAFCO of Santa Clara's policies.

General Law City

The Town of San Martin shall be incorporated as a general law city.

Name of City

The new city shall be the Town of San Martin

Terms of Office and Election of City Council members

The initial election of council members will be the same date as the vote on incorporation. The Town shall be governed by a five-member Town council elected at large. The terms of the five council members shall be subject to Government Code §57377 and §57378. Of the five elected members of the city council, the three receiving the lowest number of votes shall hold office until the first succeeding general municipal election held in the Town and until their successors are elected and qualified, and the two receiving the highest number of votes shall hold office until the second succeeding general municipal election held in the Town and until their successors are elected and qualified. If two or more members of the city council are elected by the same number of votes, the terms of each shall be determined by lot. The Town council members elected to succeed the members elected at the incorporation election shall hold office for four years from the Tuesday succeeding their election and until their successors are elected and qualified. Pursuant to Government Code §57118, the election shall be held within the entire territory of the proposed incorporation.

Appointment of City Staff

The Town council shall appoint a Town Manager, Town Clerk, Town Attorney and Town Treasurer.

Number of Registered Voters

Pursuant to Government Code §56375(f), the County Registrar of Voters determined that the number of registered voters within the territory proposed for incorporation was 2,824 as of the time of the last report of voter registration by the County elections official to the Secretary of State prior to the date the first signature was affixed to the petition.

Incorporation Fees and Costs

All required fees and costs of processing the incorporation application including the State Board of Equalization Fees, cost of preparing and / or reviewing the map and legal description of the approved incorporation boundary and all costs for staff time and expenses shall be paid by the proponents within 5 calendar days of LAFCO adoption of this resolution.

Election Costs

The costs of the incorporation election and the election of Town council members shall be borne by the Town if the incorporation is ratified by the voters. If the election is unsuccessful, the election costs will be borne by the County pursuant to Government Code §57150 (b). Election costs shall be paid within 30 days of written request from the Santa Clara County Registrar of Voters, unless alternative payment arrangement is agreed to by the parties.

Effective Date

The effective date of the incorporation shall be July 1, 2009 or soon thereafter as specified in the Certificate of Completion.

Continuation of County Ordinances for 120 days

Pursuant to Government Code §57376, the Town of San Martin shall, immediately following its organization and prior to performing any other official act, adopt an ordinance providing that all County ordinances previously applicable shall remain in full force and effect as Town ordinances for a period of 120 days thereafter, or until the Town Council has enacted ordinances superseding them, whichever shall occur first. Enforcement of continuing county ordinances in the incorporated area shall be with the Town, except insofar as enforcement services are furnished in accordance with Government Code §57384.

Indemnification

Proponent agrees as a condition of approval of this proposal to enter into an indemnification agreement in a form approved by LAFCO Counsel to defend using counsel approved by LAFCO, indemnify, hold harmless, and release LAFCO, its officials, officers, employees, consultants and agents from any claim, action or proceeding brought against them, or any of them, to attack, set aside, void, or annul the approval of this proposal, any term or condition of the approval, or the environmental document which accompanies the approval. This indemnification obligation shall include, but not be limited to, damages, costs, expenses, attorney fees and expert witness fees that may be asserted by any person or entity, including the proponent, whether or not there is concurrent passive or active negligence on the part of LAFCO, its officials, officers, employees, consultants and agents. Proponents shall execute the indemnification agreement within three calendar days of LAFCO's adoption of the resolution approving the incorporation.

The Town will be bound by and subject to all of the defense, indemnification and hold harmless obligations set forth herein following incorporation.

In any litigation, arbitration or any other proceeding where LAFCO of Santa Clara County seeks to enforce the indemnification provisions set forth above, or seeks a declaration of rights and obligations pursuant to this provision, LAFCO of Santa Clara County shall be awarded reasonable attorney fees, together with any costs and expenses incurred to resolve the dispute and to enforce the provision, if LAFCO of Santa Clara County prevails.

Transfer of County Roads and Highways to the Town

Upon the effective date of incorporation, pursuant to Government Code §57385, all roads and highways or portions of a road or highway in the incorporation territory, which had been accepted into the County road system shall become Town streets.

Waive Detachment from County Lighting Service Area

In accordance with Government Code §56375 (n), waive automatic detachment from County Lighting Service Area based upon the following findings:

- County Lighting Service Area provides lighting services through assessments to a portion of the incorporation territory
- Detachment would deprive the area's residents of lighting services needed to ensure their health, safety and welfare
- Waiving detachment will not affect the ability of the Town to provide any service

Detachment from the County Library Service Area

Concurrent with the effective date of the incorporation and in accordance with Streets and Highways Code §22613, the territory in the incorporation boundary will be automatically detached from the County Library Service Area. Library services to the Town will continue to be provided by the County Library Joint Powers Authority and funded by the Community Facilities District.

Williamson Act Contracts

Pursuant to Government Code §56889, the Town shall succeed to all Williamson Act Contracts that exist within the boundaries of the Town and the Town shall adopt the rules and procedures required by the Williamson Act, including but not limited to the rules and procedures required by Sections 51231, 51237 and 51237.5 of the California Government Code. The Town shall not provide services to the Williamson Act Contract properties for land uses or activities not allowed under the contract.

Continuation of Charges

Pursuant to Government Code §56886(t), the Town shall have the authority to continue the levying and collection of any previously authorized charge, fee, assessment or general or special tax levied within the subject territory by the County or other agency including fees or charges by County Service Areas or Community Facilities Districts.

Base Year Property Tax

The base year property tax transferred to the new Town from the County pursuant to Government Code §56810 shall be \$599,522, determined as follows:

- County Auditor's Ratio (Government Code §56810(c)(1): 57.33%
- Total Net Cost of Services Transferred by the County to the Town, as determined by the Commission (Government Code §56810(c)(2): \$1,045,827
- Calculation of Base Property Tax to be transferred to the Town §56810(c)(3): County Auditor's Ratio X Total Net County Cost = \$599,522

The County Auditor shall adjust the property tax amount to be transferred in accordance with state law and in proportion to the increase in assessed value from Fiscal Year 2006- 2007 to the effective date of incorporation.

Assessed Valuation

The Fiscal year 2006-2007 assessed valuation for property tax calculation purposes within the proposed incorporation boundaries is approximately \$1,021,447,543 and is estimated to be approximately \$1,173,276,629 in Fiscal Year 2009-2010. The CFA assumes a 5.87% annual growth (including inflation) in assessed value for the San Martin area.

Appropriations Limit

Pursuant to Government Code §56812(a), the provisional appropriations limit submitted for voter approval shall be \$3.8 million. The permanent appropriations limit of the Town shall be set at the first municipal election which is held following the first full fiscal year of operation and shall not be considered to be a change in the appropriations limit of the Town pursuant to Section 4 of Article XIII B of the California Constitution.

Transition Year Revenues

Pursuant to Government Code §57384, any revenues that are generated in the Town after incorporation, that are retained by the County, shall be applied to the

County's cost of service to the area during the transition period, that is, the remainder of the fiscal year following the effective date of incorporation. If the revenue generated exceeds the cost of County provided services, the difference shall be transferred to the Town.

Continuation of County Services

In accordance with Government Code §57384, the County of Santa Clara shall continue to furnish all services provided to the area prior to the incorporation. Those services shall be furnished for the remainder of the fiscal year during which the incorporation becomes effective or until the new Town Council requests discontinuance of the services, whichever occurs first. The County shall be reimbursed for these services in accordance with Government Code §57384 (b). A continuation of County services to the Town beyond the first fiscal year, for full cost recovery and/or provision of an enhanced level of service, may be arranged pursuant to an agreement between the two parties.

Revenue Neutrality Mitigation Payments

Total Obligation

The Town shall pay the County a total of \$10,296,398 in revenue neutrality payments based on a 10 year mitigation period. This revenue neutrality obligation is based on the County's annual deficit amount of \$872,000, as calculated in the CFA and includes a 3% inflation rate.

Payment Schedule

A minimum annual revenue neutrality mitigation payment of \$500,771 shall be made by the Town to the County for 25 years following the incorporation. The net present value of payments shall equal \$8,720,000 calculated using a 3% discount rate. Any delinquent payments would accrue interest at the rate of 3% annually. Interest shall continue to accrue on the outstanding prior year's balance until it has been paid in full. The Town may pre-pay any amount due under this obligation on terms mutually agreed upon by the Town and the County.

Town Appropriation

The Town shall appropriate on an annual basis sufficient funds to meet its obligations. The County and the Town, upon incorporation, shall negotiate and execute any additional legal documents necessary to implement the provisions under the "Revenue Neutrality Mitigation payments" and, if required to affect a direct transfer of payments due hereunder. A direct transfer is a transfer from either the State Board of Equalization or the County Auditor-Controller to the

County without the necessity of an intermediate transfer to the Town. Until an agreement for direct transfer of such funds is completed, the Town Council shall appropriate on an annual basis, sufficient funds to meet its obligations hereunder.

Morgan Hill Sphere of Influence Amendment

Concurrent with the effective date of the incorporation, the Morgan Hill Sphere of Influence shall be amended to exclude a portion of the proposed incorporation area, as more specifically depicted in Figure 4. The Commission adopts the following Statement of Determinations for the amendment of the sphere of influence of Morgan Hill:

STATEMENT OF DETERMINATIONS FOR AMENDMENT OF THE SPHERE OF INFLUENCE FOR THE CITY OF MORGAN HILL

1. Present and planned land uses in the area, including agricultural and open-space lands

The area is currently designated Rural Residential and is developed with single family homes. The area does not include agricultural and open-space lands

2. Present and probable need for public facilities and services in the area

The area is unincorporated and located outside Morgan Hill's urban service area. The area receives water service from West San Martin Water Works. The properties rely on septic systems for sewage disposal similar to surrounding properties proposed for inclusion into San Martin boundaries.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The incorporation proposal does not propose to provide any new services or to change the level of services currently provided to the area. Additionally, there will be no change in service providers providing water or sewer facilities. The Town will contract with the County, other public agencies or private providers for services.

4. Existence of any social or economic communities of interest in the area, if LAFCO determines that they are relevant to the agency.

Even though the area is currently in the SOI of Morgan Hill, the area relates more with San Martin due to its topography, rural character, development patterns and its public access.

Sphere of Influence for the Town of San Martin

The Commission adopts a sphere of influence for the Town of San Martin that is coterminous with the boundary of the Town and adopts the following Statement of Determinations for the establishment of the Sphere of Influence for the Town of San Martin:

STATEMENT OF DETERMINATIONS FOR ESTABLISHMENT OF SPHERE OF INFLUENCE FOR THE TOWN OF SAN MARTIN

1. Present and planned land uses in the area, including agricultural and open-space lands

San Martin's population is estimated in the CFA to be 6,900. The area includes approximately 12 square miles. The proposed Town of San Martin is located between the cities of Morgan Hill and Gilroy along Highway 101. Its proposed boundaries and sphere of influence to the north and south are coterminous with the SOI of Morgan Hill and Gilroy respectively. Its boundaries to the east are along the eastern foothills and to the West the boundaries are along Watsonville Road and include the gated communities of Cordevalle Golf Club/ residential development and Hayes Lane Subdivision. San Martin is a rural residential community, predominantly non-urban and residential in nature. Currently, the County General Plan designates the land uses in the area which include Agriculture Medium Scale, Hillsides, Major Public Facilities, Other Public Lands, Ranchlands, Existing Roadside Services, Transportation and Rural Residential.

This incorporation and SOI boundary include much vacant land and agricultural land. The proponents have stated that they intend to maintain the rural residential nature of the area. Additionally, no new services or development is proposed for the new Town as part of the incorporation proposal. It is expected that the County General Plan would be adopted upon incorporation and no change in land use is proposed. Upon incorporation, the Town Council will be required to

immediately adopt all current County ordinances for a 120-day period, or until the Town Council has enacted ordinances superseding them, whichever occurs first. It is also expected that the Town would initially adopt the County's General Plan.

2. Present and probable need for public facilities and services in the area

The San Martin area has significant groundwater quality issues with high levels of nitrates and perchlorate contamination. The water produced at individual and shared wells frequently does not meet drinking water quality standards. The State Department of Health is not in favor of point-of-use treatment systems and so there is and will continue to be a need for expanded treated water facilities managed by public water agencies.

Sewer services are not provided in the community. Sewage treatment in the area is through individual septic systems. Given the ageing systems in use in San Martin's core area, the changing regulations for wastewater disposal and the groundwater quality issues, it is likely that there will be a need for sewage treatment and disposal systems in the area.

The incorporation proposal does not include any new services or any changes in service levels.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

Water service is provided by the San Martin County Water District and the West San Martin Water Works to certain portions of San Martin. Both providers rely on groundwater extracted from the Llagas sub-basin. This source is contaminated with perchlorate and nitrates and must be treated. It appears that the two providers have adequate treatment (for perchlorate) and storage capacity to serve present needs within their boundaries. Additional capacity may be required to meet the needs for expanded water treatment facilities in the area.

The cities of Morgan Hill and Gilroy, through the South County Regional Wastewater Authority (SCRWA), a JPA, jointly own and share capacity allocations at the wastewater treatment plant and sewer. To address sewer needs in San Martin, the new Town may seek capacity from SCRWA or construct new wastewater facilities. In either

case, it will require significant resources for planning and implementation.

4. Existence of any social or economic communities of interest in the area, if LAFCO determines that they are relevant to the agency.

The proposed new Town is bordered on the north and the south by the spheres of influence of Gilroy and Morgan Hill. San Martin is a rural residential community. Although the community and residents interact with the neighboring cities, the community is characterized by a unique rural identity.

Urban Service Area for the Town of San Martin

The Commission adopts an Urban Service Area for the Town of San Martin that is coterminous with the boundary of the Town.

XI. STAFF RECOMMENDATIONS

Based on the analysis included in the report, staff recommends that the Commission:

1. As lead agency, adopt the Revised Initial Study/ Negative Declaration (March 11, 2008) prepared for the proposed incorporation of the Town of San Martin and related sphere of influence amendments based on the findings that the Negative Declaration was prepared in accordance with law and reflects the LAFCO of Santa Clara County's independent judgment and analysis; that LAFCO has considered the Negative Declaration and all comments received during the comment period; and that there is no substantial evidence in the record that the Project will have a significant effect on the environment. Designate LAFCO Executive Officer as the location and custodian of the documents and other materials that constitute the record of proceedings on which this decision is based.
2. Approve the incorporation of the Town of San Martin subject to the imposition of a Utility Users Tax (UUT) of 10.7% on gas and electricity in the first six years of the incorporation and a 6.9% UUT on gas and electricity from Year 7 through Year 25 following the incorporation and subject to the recommended terms and conditions attached to this report and make the findings and determinations attached to this report.

3. Approve concurrent detachment from the County Library Services Area and waive detachment from the County Lighting Services Area.
4. Amend the City of Morgan Hill's sphere of influence to exclude Area 2 as depicted in Figure 4 and adopt the related Statement of Determinations.
5. Approve a coterminous sphere of influence for the Town of San Martin and adopt the related Statement of Determinations.
6. Approve a coterminous Urban Service Area for the Town of San Martin.
7. Request the Board of Supervisors of County of Santa Clara to set June 2, 2009 as the election date for the subject reorganization and the Utility Users Tax, subject to the attached findings, determinations, terms and conditions and for the selection of the initial Town council members.

XII. ATTACHMENTS

- Attachment A: Draft LAFCO Resolution making determinations and approving the incorporation of the Town of San Martin subject to specific terms and conditions.
- Attachment B: Revised Initial Study and Negative Declaration for the Proposed Incorporation of the Town of San Martin (dated March 11, 2008)
- Attachment C: Comprehensive Fiscal Analysis and Plan for Services for the Proposed Incorporation of the Town of San Martin (dated October 7, 2008)